

## Message Text

CONFIDENTIAL

PAGE 01 FREETO 02778 311425Z

ACTION AF-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 AGRE-00 /078 W

-----130016 312334Z /65

R 311046Z AUG 77

FM AMEMBASSY FREETOWN

TO SECSTATE WASHDC 6043

INFO AMEMBASSY CONAKRY

AMEMBASSY MONROVIA

C O N F I D E N T I A L FREETOWN 2778

E.O.11652: GDS

TAGS: EALR ECON PINT

SUBJECT: GOSL FISCAL OPERATIONS 1976/77

SUMMARY: AN ANALYSIS OF PROVISIONAL DATA (ALL FIGURES ARE SUBJECT TO CHANGE AND ERROR. HOWEVER, BANK OF SIERRA LEONE IS THE MOST RELIABLE LOCAL SOURCE) OBTAINED FROM THE BANK OF SIERRA LOENE ON CENTRAL GOVERNMENT OPERATIONS FOR FY 6/76 THROUGH FY 6/77 POINTS TOWARD THE UNFORTUNATE BUT INESCAPABLE CONCLUSION: GOSL HAS THUS FAR LACKED EITHER HE ABILITY OR THE DESIRE OR BOTH TO CORRECT THE OVERALL ECONOMIC DISEQUILIBRIUM CAUSED BY EXCESSIVE EXPENDITURES AND INADEQUATE REVENUE SOURCES. END SUMMARY.

1. TOTAL CURRENT REVENUE FOR FY76/77 INDICATED RELATIVELY BUOYANT DIRECT AND INDIRECT TAX RECEIPTS. REVENUE, HOWEVER, FELL FAR SHORT OF EXPENDITURES. PROVISIONAL FY76/77 CURRENT ACCOUNT EXPENDITURES EXCEEDED ESTIMATES FOR THE SAME PERIOD BY 40 PERCENT, WHILE REVENUES EXCEEDED ESTIMATES FOR THE FY 76/77 PERIOD BY ONLY SIX PERCENT.

COMPARISON OF ESTIMATED AND PROVISIONAL REVENUE AND EXPENDITURES  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 FREETO 02778 311425Z

-----  
FY 1976/77 ESTIMATE    FY 1976/77 PROVISIONAL  
REVENUE    LE 104.5 MILLION    LE 111.1 MILLION  
EXPENDITURE    LE 100.5 MILLION    LE 147.3 MILLION

2. DOMESTICALLY FINANCED EXPENDITURES ORIGINALLY WERE ESTIMATED AT LE 100.5 MILLION AND WERE INCREASED AS GOVERNMENT

RECOGNIZED ITS CONTINUED OVERSPENDING. SUBSEQUENTLY, GOSL FIGURES PROVIDED TO THE IMF UNDER THE STAND-BY AGREEMENT INDICATED A PROBABLE BUDGETARY DEFICIT OF LE 37 MILLION. THIS AMOUNT CORRESPONDS CLOSELY TO THE ACTUAL CURRENT ACCOUNT DEFICIT OF LE 36.2 MILLION. IMF SOURCES INDICATED THAT THE ENHANCED DEFICIT WAS DUE TO EXTRA-BUDGETARY EXPENSES, LARGE WAGE INCREASES IN 75/76 AND UNBUDGETED PAYMENTS FOR TELECOMMUNICATIONS SERVICES. TRADITIONALLY, EXTRA-BUDGETARY EXPENDITURES (EXPENDITURES NOT PROVIDED FOR IN THE BUDGET) AND LACK OF FISCAL DISCIPLINE BY SELF-ACCOUNTING MINISTRIES HAVE DILUTED EFFORTS TO CONTROL EXPENDITURES.

3. ON THE CASH FLOW SIDE (AMOUNT WHICH THE CENTRAL BANK MUST FINANCE) THE OVERALL DEFICIT IS INDICATED AS LE 46.2 MILLION, INCREASING BY LE 10 MILLION THE CURRENT ACCOUNT DEFICIT. SINCE THE BANK OF SIERRA LEONE DID NOT PROVIDE A BREAKDOWN OF EXPENDITURES, POST CANNOT PROVIDE AN ANALYSIS OF EXPENDITURE OVERRUN. HOWEVER, INVISIBLE FOREIGN TRANSFERS FOR TRAVEL, REPRESENTATION AND GOSL AFFAIRS PROBABLY MAKE UP THE LE 10 MILLION DIFICIT.

4. A COMPARISON OF FUNDS GENERATED BY INDIRECT AND DIRECT TAXATION BETWEEN ESTIMATED FY 76/77 AND PROVISIONAL FY 76/77 INDICATES THE LACK OF SUCCESS THE GOSL HAD HAD IN LIMITING IMPORTS, AND THE MANNER IN WHICH IT HAS BEEN ABLE TO GENERATE REVENUES. A BREAKDOWN OF INDIRECT TAX SOURCES SHOWS: CONFIDENTIAL

CONFIDENTIAL

PAGE 03 FREETO 02778 311425Z

(A) IMPORT DUTIES: INCREASED BY LE 4.0 MILLION, PROVIDING NEEDED REVENUE. HOWEVER, THE RISE IN REVENUES INDICATES THAT IMPORT DEMAND IS RELATIVELY INELASTIC AND THAT THE VALUE OF IMPORTS HAS NOT FALLEN.

(B) EXPORT DUTIES: PROVIDED LE 4.9 MILLION MORE THAN ESTIMATED. HOWEVER, THIS EXTRA REVENUE CANNOT BE ATTRIBUTED TO GOVERNMENT ACTION BUT RATHER TO WORLD PRICE INCREASES FOR SIERRA LEONES' EXPORT COMMODITIES (COFFEE AND COCOA). PRODUCTION HAS DECREASED NOT WITHSTANDING THE INCREASE IN WORLD PRICES, A RESULT OF THE UNREALISTIC PRICING POLICY OF THE GOVERNMENT AND THE PRODUCE MARKETING BOARD (EXPORT TAX AMOUNTS TO APPROXIMATELY 50 PERCENT OF THE WORLD PRICE).

(C) EXCISE TAX: INCREASED LE 1.3 MILLION OVER ESTIMATED FIGURES. AGAIN THIS WOULD TEND TO INDICATE IMPORT QUANTITIES HAVE REMAINED HIGH. (LEGISLATED IMPORT CONTROL MEASURES ARE AS FOLLOWE: "(I) THE INVOICE ENTRY FEE HAS BEEN INCREASED FROM 1.5 PERCENT TO 4.5 PERCENT. (II) THE FOLLOWING IMPORT DUTIES HAVE BEEN INCREASED: TOBACCO PRODUCTS (100 PERCENT), TEXTILES (45 PERCENT), SUGAR (45 PERCENT), MOTOR VEHICLES (INCREASES AVERAGING 22 PERCENT), ALCOHOLIC BEVERAGES (60 PERCENT), NONESSENTIAL FOODS (30 PERCENT), AND RAW MATERIALS FOR CONCESSION INDUSTRIES (INCREASES RANGING FROM

10 TO 50 PERCENT). (III) EXCISE DUTIES HAVE BEEN INCREASED AS FOLLOWS: TOBACCO PRODUCTS (70 PERCENT), BEER AND STOUT (25 PERCENT), AND OTHER GOODS SUBJECT TO EXCISE (25 PERCENT).")

5. REVENUE FROM DIRECT TAXES ALSO IMPROVED. A LE 19.3 MILLION ESTIMATES IS SHOWN AS LE 27.9 MILLION IN THE PROVISIONAL FY 76/77 FIGURES. REVENUE GAINS WERE REGISTERED IN COMPANY AND PERSONAL INCOME TAX. THESE GAINS PROBABLY CAN BE ATTRIBUTED TO CORRECTIVE GOVERNMENT POLICY.

6. ON BLANCE THE IMPROVEMENT IN GOSL REVENUES APPEARS TO BE ATTRIBUTABLE MORE TO A FORTUITOUS INCREASE IN EXPORT PRICES AND THE INELASTICITY OF IMPORT DEMAND THAN TO ANY POSITIVE POLICY AIMED AT CORRECTING THE BASIC IMBALANCE. CONFIDENTIAL

CONFIDENTIAL

PAGE 04 FREETO 02778 311425Z

GOVERNMENT DID SUCCEED IN EXTENDING ITS DIRECT TAX BASE. HOWEVER, THIS IMPROVEMENT, WHILE COMMENDABLE, IS ONLY A PARTIAL MEASURE. EFFECTIVE GOVERNMENT ACTION FOR REVENUE EXPANSION AND EXPENDITURE REDUCTION MUST INCLUDE A STRICT LIMITATION ON IMPORTS AND SUBSTANTIAL GROWTH IN EXPORT PRODUCTION. THE GOSL RELIANCE UPON INCREASED TAXATION ONLY CAN PROVIDE INADEQUATE AND TEMPORARY RELIEF. BASIC CORRECTIVE SOLUTIONS, OF COURSE, MUST COME ON THE EXPENDITURE SIDE. LINEHAN

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** GOVERNMENT EXPENDITURES, BANKS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 31-Aug-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977FREETO02778  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770315-0843  
**Format:** TEL  
**From:** FREETOWN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t1977085/aaaaadjp.tel  
**Line Count:** 145  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:** Hold (001 Tobacco) added on 4/16/2009 3:39:02 PM by WASHDCMcGoldRJ, Hold (001 Tobacco) removed on 4/16/2009 3:45:02 PM by WASHDCMcGoldRJ (Litigation Hold Lifted)  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** d6128b58-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION AF  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 02-Feb-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1564805  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GOSL FISCAL OPERATIONS 1976/77 SUMMARY: AN ANALYSIS OF PROVISIONAL DATA (ALL FIGURES ARE TO CHANGE AND ERROR. HOWEVER, BANK OF SIERRA LEON  
**TAGS:** EALR, ECON, PINT, SL  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbcc://SAS/SAS.dbo.SAS\_Docs/d6128b58-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

